

September 15, 2020

A FUNDAMENTALLY CHANGED RISK ENVIRONMENT

There is no “returning to normal” in the future...the new normal will be continuous change and boards will face an increasing need to make decisions in the face of uncertainty. To properly understand the range of COVID-19 outcomes that will shape the economic and logistical environments during the next 18 months and beyond it is essential that enhanced horizon risk scanning and techniques such as scenario planning and modeling are utilized. These techniques will help firms make decisions about the impact of the virus environment, which will continue until there are enough tests, a vaccine, and a reliable way to implement contact tracing. That may take more than 18 months and, because of infection cycles, there may be a new virus that emerges by then.

What boards should do:

- Ask management what risk modeling and scenario planning tools they are using to help predict economic and business interruptions.
- Set board (and enterprise) expectations that increased levels of uncertainty will continue and develop enhanced horizon scanning techniques that are sensitive to a broader range of risks.
- Make sure geopolitical and environmental risks are appropriately considered.

CHIEF RISK OFFICERS AND RISK COMMITTEES OF THE BOARD ARE IN DEMAND

In addition to Succession Planning, Strategy and Fiduciary Responsibility, Risk Oversight is becoming the fourth key responsibility of boards. Today’s rapidly changing risk environment (led by COVID-19, environmental catastrophes and political uncertainties) has put a spotlight on the criticality of an effective enterprise risk management program. Boards with both Chief Risk Officers (CROs) and Risk Committees are leading the charge in actively managing risks. Where optimum board risk oversight capabilities are not already present, demand for CROs and Risk Committees has escalated.

What boards should do:

- Create risk committees, at both management and board levels, including directors and executives with risk, cyber, operations, communications, and technology backgrounds.
- Create the position of Chief Risk Officer (CRO), reporting to the CEO, with dotted line reporting to the Chair of the board’s Risk Committee.
- Include Risk Committee discussions of emerging risks on board meetings at least quarterly.
- In situations where an organization is actively building or enhancing an enterprise risk management program, boards should monitor progress regularly.

TONE AT THE TOP - CRITICAL IN HOW COMPANIES TREAT STAKEHOLDERS DURING PANDEMIC AND ECONOMIC DOWNTURN

Organizations that are sensitive to stakeholder needs will benefit through enhanced abilities to attract and retain talent and will build stronger vendor relationships. The COVID-19 crisis will create lasting memories - stakeholders will remember where they were, what happened, and how they were treated...either with compassion and integrity, or not. Everyone in the current environment has been affected, many by illness, loss of income or revenues, and by adapting to a new way of work. Companies that appropriately engage with their employees and vendors to optimize outcomes for all will generate greater respect and loyalty that will pay dividends in the future.

What boards should do:

- Oversee management activities in support of all stakeholders, including employees and vendor relationships, and ensure that expectations are being met.
- Include Talent Management personnel at board meetings to report on how employee related initiatives are being created, monitored, and received.
- Add a Talent Management professional to the board of directors if appropriate expertise is not already in place.
- Expand the Compensation Committee to include a broader Talent Management and culture of responsibility.

SOURCE: WOMEN CORPORATE DIRECTORS COMMISSION ON TALENT MANAGEMENT REPORT: WORK HAS CHANGED

EMERGING RISKS OF IoT, THE INTERNET OF THINGS

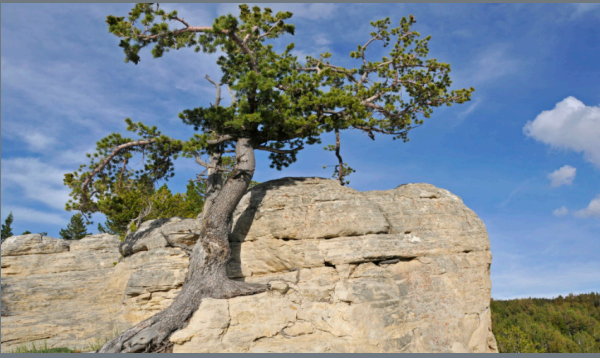
Recent studies show that most organizations do not have adequate knowledge about the number and type of IoT devices connected to their networks, do not adequately secure them, and do not have an effective IoT risk management program. The consequences of ineffective IoT risk management programs have been magnified because of COVID mandated work from home environments, which seem likely to continue in some form. Home IoT devices include smart phones, tablets, printers, televisions, kitchen appliances and other electronic equipment. Improperly secured home networks utilizing sub-optimally secured work from home equipment increase already substantial IoT risks. As the number of improperly secured IoT devices proliferates, the risks to organizations increase.

What boards should do:

- Ensure an effective IoT risk management program with clearly defined responsibilities is in place.
- Ask management for an inventory of IoT devices connected to company networks and ask how that inventory is updated.
- Ask management what work from home security policies and protocols are in place and how those protocols are enforced.
- If the board does not fully understand IoT security risks, bring in experts for a board/risk committee briefing.

[SFG | Shared Assessments Ponemon Research on IoT](#)

SOURCE: SFG | SHARED ASSESSMENTS PONEMON RESEARCH ON IoT



“Strength does not come from physical capacity. It comes from an indomitable will.”

Mahatma Gandhi

UPCOMING EVENTS

The Need For Board Risk Committees: Part 2

Women Corporate Directors and The Santa Fe Group are partnering for a WCDirect Zoom event, “The Need for Board Risk Committees: Part 2.” During this session, panelists will address emerging operational risks, the value of Board Risk Committees, and what it takes to form one and follow best practices.

September 29, 2020
2:00 p.m. – 3:30 p.m. (U.S. EDT)

[Register To Attend](#)



WHO WE ARE

The Board Risk Committee (BRC) is a non-competitive thought leadership peer forum dedicated to Board Risk Committee members and Chief Risk Officers (CROs). The BRC is a trusted place for the exchange of ideas, best practices, and topics of interest. BRC is affiliated with The Santa Fe Group (SFG). SFG is a strategic advisory company providing unparalleled expertise to leading financial institutions, healthcare payers and providers, law firms, educational institutions, retailers, utilities, and other critical infrastructure organizations.

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